

WASHINGTON (February 6) – Congressman Spencer Bachus (AL-6) today said that U.S. taxpayers are being put at risk by yet another troubled federal housing finance agency.

The House Financial Services Committee today began a series of hearings on the Federal Housing Administration (FHA), which has a fund with a negative economic value of \$16.3 billion according to a recent independent actuarial report. The negative value of the single-family insurance fund is the result of nonpayments on loans that the FHA has facilitated through the government mortgage insurance it offers to homeowners. Taxpayers are ultimately responsible for making good on the guarantees provided by government mortgage insurance.

Congressman Bachus, who is Chairman Emeritus of the committee, said the FHA has taken on greater financial risk in recent years by vastly expanding a once-limited mission. It now controls 56.4% of the entire U.S. mortgage insurance market.

“We have learned to our regret what happens when the government’s role in housing finance becomes so large that taxpayers are put at risk. The FHA once had a limited and defined role to assist creditworthy low and middle income Americans. Now the agency is putting taxpayer guarantees behind everything from high-cost loans to loans that approach subprime status. As delinquencies have gone up, this has become a riskier business for taxpayers and it is also stunting the recovery of a robust private housing market,” said Bachus.

The FHA was created in the 1930s to provide assistance to a limited group of customers shut out of traditional mortgage markets. In recent years, it has expanded to provide government backing to loans as high as \$729,750 and lowered its down payment standards on loans to 3.5%, compared to the typical private market standard of 10-20%.

As Chairman of the Committee during the 112th Congress, Bachus warned about the increasing financial risks at the agency and helped lead a package of reforms to passage in the House. The Senate failed to act on the legislation. Bachus discussed financial challenges facing the FHA raised by the actuarial report during remarks this past November.

